



BOSTON OFFICE
69 Canal Street
Boston, MA 02114-2006
Phone (617) 727-3661
Fax (617) 727-6797

WESTERN REGIONAL OFFICE
101 State Street
Springfield, MA 01103-2066
Phone (413) 784-1711
Fax (413) 784-1707

WEB mass.gov/mtrb

Q & A

For the MTRS Member

- About Your Annuity Savings Account 1
- Withdrawing Your Balance 3

For the Nonmember Beneficiary or Alternate Payee 11

For All Recipients of a Lump-Sum Payment..... 14

APPENDIXES

- A Overview of Lump-Sum Payment Issues..... 24
- B Eligibility for a Retirement Allowance... 26
- C IRS Publications 27
- D Contacting the MTRB ... 27
- E About the MTRS 28
- F Quick Reference Guide to Questions..... 31



As the Recipient of a Lump-Sum Payment



As the Recipient of a Lump-Sum Payment

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How to Use this Booklet

This booklet is intended for use by anyone who may be eligible to receive a lump-sum payment from the Massachusetts Teachers' Retirement System (MTRS), including active and retired members as well as their survivors. It is written in simple language and should answer most of the questions that you may have about the issues related to receiving a lump-sum payment.

Throughout this booklet you'll find notes in the margins. These contain brief explanations or references to other questions that are related to that particular topic. Where cross-references are noted, please be sure to review those questions for additional information.

Finally, this booklet is not intended as a substitute for the Massachusetts General Laws or the Internal Revenue Code nor will its interpretation prevail should a conflict arise between its contents and those statutes. Rules governing retirement and survivor benefits are subject to change periodically either by regulation of the Internal Revenue Service or by statute of the Massachusetts Legislature. In particular, be sure to review the Special Tax Notice Regarding Plan Payments on page 14. If you have any questions about this material, please contact our office or *seek legal advice from your attorney or financial advisor.*

The Members and Staff of
the Massachusetts Teachers' Retirement Board

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Boston, MA 02114-2006
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Fax (617) 727-6797

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Phone (413) 784-1711
Fax (413) 784-1707

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For the MTRS Member

About Your Annuity Savings Account

1 What is my annuity savings account?

As a member of the Massachusetts Teachers' Retirement System, you have an annuity savings account that is maintained on your behalf by the MTRS for your retirement. Your account consists of two parts:

- ▶ **contributions**, which are deducted from your paycheck by your school district and
- ▶ **interest**, which is earned on your prior year's ending balance and credited to your account on an annual basis, at a rate determined by the Public Employee Retirement Administration Commission (PERAC). The rate is equal to an average passbook savings return.

2 According to IRS categories, what type of plan is the Massachusetts Teachers' Retirement System plan?

Your pension with the MTRS is considered a defined benefit plan that operates as a qualified employer plan under section 401(a) of the Internal Revenue Code. As a defined benefit plan, your retirement benefit is based upon your years of creditable service, age at the time of your retirement and the average of your highest three years' consecutive salaries. Your benefit is not based solely on your contributions and interest.

You may request a copy of your last annual statement at any time during the year.

3 How do I know how much money I have in my annuity savings account?

Generally, by July 1 of every year, the MTRB sends a statement of account to all active and inactive members who have any balance in their annuity savings account. This statement reflects personal data (name, address, date of birth, etc.) as well as financial information regarding any activity in the member's account, the amounts of after-tax contributions, pre-tax contributions, interest and the total balance in the account as of the end of the previous calendar year.

4 What is the difference between after-tax contributions and pre-tax contributions?

The difference is that you have already paid taxes on your after-tax contributions—and, therefore, you do not have to pay taxes on them again when you receive them in the form of a lump-sum payment or a retirement allowance—but you have not yet paid taxes on your pre-tax contributions and, so, you will have to pay taxes on those when you receive them.

5 How do I know what amount is nontaxable and what is taxable?

For tax purposes, the MTRB identifies the balance in your annuity savings account (the total of your contributions and interest) according to the nontaxable and taxable portions:

- ▶ **Nontaxable portion:** The nontaxable portion of your balance is equal to your contributions, if any, made prior to January 1, 1988, plus any payments you made to “buy back” previous creditable service. This is also known as your “after-tax” portion because these contributions were deducted from your paycheck after taxes had already been taken out of the entire amount of your paycheck. Because you have already paid taxes on this portion (as well as any payments you made to purchase creditable service), you will not have to pay taxes on this amount again.
- ▶ **Taxable portion:** The taxable portion of your balance is equal to your contributions made on or after January 1, 1988, plus any interest you receive on your account. This includes any elective pre-tax payroll contributions that you may have paid toward your RetirementPlus accelerat-

ed cost. After January 1, 1988, all contributions were deducted from your paycheck before taxes were taken out. Since you have not yet paid taxes on this portion, it is taxable when you receive it in the form of a lump-sum payment or, if you roll over this portion to an eligible retirement plan, when you eventually receive these funds.

6 Is the interest on my account considered a pre-tax or an after-tax amount?

All interest is paid on a pre-tax basis; as such, all interest is included in the taxable portion of your annuity savings account balance, which you may need to reference in the event you take a refund of your account.

Withdrawing Your Balance

7 I am an ACTIVE member of the MTRS. Do I have any use of the funds in my annuity savings account?

No. Your annuity savings account is not a personal bank account or an individual retirement account. As someone who is currently contributing to the Massachusetts Teachers' Retirement System through regular payroll deductions or who is on an authorized leave of absence or receiving Workers' Compensation benefits, you are not eligible to withdraw any portion of your annuity savings account balance. Likewise, you may not borrow money from your account or assign your account, nor may your account be attached by a lien, except by the Internal Revenue Service or the Massachusetts Department of Revenue. The funds must remain in your account with the MTRS until you retire, die or become an inactive member who is eligible to receive a refund of the money (see Question 8).

8 I am an INACTIVE member of the MTRS. Am I eligible to receive a refund of the money in my annuity savings account?

You can receive a refund of your annuity savings account after you terminate all Massachusetts public service but before you apply for a retirement allowance. A refund is paid in lieu of any retirement allowance for which you may be eligible. To receive a

There are several different ways to refer to your removal of funds from your annuity savings account but they all have the same meaning. If you want to take the money out of your account, you can request a “refund,” “withdrawal” or “lump-sum payment.”

Please note: You must submit your Refund Application after the date of your separation from service. We cannot accept your Application prior to your last day of service.

refund, you must apply to the MTRB. Note: A refund may be subject to a lien for unpaid child support payments.

You are *not* eligible to withdraw the balance in your account if you are:

- ▶ receiving Workers' Compensation payments either on a weekly basis or, in the case of a lump-sum settlement, during the period of time over which the lump-sum settlement is allocated,
- ▶ on a paid or unpaid leave of absence or
- ▶ accepting employment with a public school system or any other political subdivision which requires membership in a Massachusetts contributory retirement system.

Note: The law provides certain forfeiture provisions in the event you are convicted of a criminal offense involving your job.

9 Based on the requirements described in Question 8, I have determined that I am eligible to withdraw my money from my annuity savings account. What are my options as far as withdrawing these funds?

You have two choices for withdrawing your funds. These choices are numbered as *Choice 1* and *Choice 2* solely for the purpose of identifying them within this booklet. You may do one of the following:

▶ Choice 1 Take the balance in a refund directly to you.

In a single payment directly to you, the MTRB will refund all of your nontaxable funds and 80% of the taxable portion. We are required by law to withhold 20% of the taxable portion of your balance in compliance with federal tax withholding requirements. This means that we send 20% of the taxable portion directly to the IRS.

As far as taxes, you will not have to pay taxes on your after-tax contributions; you will have to pay taxes on the entire amount of your pre-tax contributions and interest in the year that you receive your refund. In addition, if you are under age 59-1/2, you may have to pay an additional 10% early withdrawal penalty (see the Special Tax Notice Regarding Plan Payments on page 14, and be sure to consult with a tax professional). As described in the next paragraph, however, you may be able to avoid paying taxes immediately on your pre-tax contributions and interest by rolling over these amounts.

Federal tax withholding is a method by which the IRS collects taxes up front.

If the taxable portion of your balance is less than \$200, it is not subject to federal tax withholding and the MTRS will pay out the entire taxable portion.

You may keep your entire refund and do what you want with it, including, to gain tax advantages, rolling all or part of it into an eligible retirement plan that will accept a rollover from our plan, within 60 days of receiving your refund. (Please note, however, that you may roll over the nontaxable portion of your refund to a traditional IRA or qualified plan only. For more information, see the Special Tax Notice Regarding Plan Payments on page 14.) As a reminder, by law, we must withhold 20% of the taxable portion. Accordingly, if you take a full refund from us and then decide to roll over the entire taxable portion, you will need to use your own funds to make up the 20% that we withheld. Later, when you file your annual federal income taxes, you may be entitled to a refund from the IRS of the 20% amount that we withheld; you need to address this with the IRS at that time.

Please see Question 15 on the tax penalty for early withdrawal.

▶ Choice 2 Roll over all or part of the balance directly to an eligible retirement plan (and pay the remainder, if any, directly to you).

This is similar to your opting for Choice 1 and then rolling over your funds within 60 days yourself, except that with Choice 2, the MTRB processes the transfer for you and because the funds are transferred directly from one plan to another (known as a *direct rollover*), you are able to defer paying taxes on the taxable portion of your refund until it is withdrawn from your new retirement plan.

In Choice 2, you tell us what portion (100% or less) of the total amount you want us to transfer to your eligible retirement plan that will accept a rollover from our plan, and what portion, if any, you want us to refund to you. Note, your pre-tax funds that are directly rolled over are not subject to the 20% federal withholding tax. If, however, you have specified that a percentage of the taxable portion be refunded to you, we will refund that percentage—less 20% that we must deduct for federal withholding taxes and send to the IRS.

For an example of rolling over your funds within 60 days, please see "Sixty-Day Rollover Option" on page 19.

HISTORIC NOTE

Prior to January 1, 2002, the nontaxable (after-tax) portion of our members' refunds could not be rolled over into an eligible plan. Now, as a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the nontaxable portion can be directly rolled over to an IRA or to a qualified defined contribution plan that will separately account for the taxable and nontaxable portions and that is willing to accept a nontaxable rollover.

A REMINDER: If you withdraw your funds, we will send you a tax statement (Form 1099-R) in January of the year after your withdrawal. We will also report your withdrawal, specifying the taxable and nontaxable amounts, to the IRS. Accordingly, if you move within the year after receiving your refund, it is very important that you let us know your new address to ensure that you receive your 1099-R.

10 Can I roll over my pre-tax amount to any retirement plan?

Although federal law allows the MTRS to roll over pre-tax funds to

- ▶ a traditional IRA,
- ▶ a 403(b) plan,
- ▶ a 457 governmental deferred compensation plan, or
- ▶ another 401(a) qualified plan or 403(a) qualified annuity,

not all of these plans must accept rollovers from the MTRS. Accordingly, you must check with the administrator of the plan into which you want to roll over your payment as to whether that plan will accept a rollover from the MTRS. The plan you select must accept a rollover from a 401(a) plan, which is how the MTRS plan is categorized for IRS purposes.

11 Can I withdraw only a portion of the total in my annuity savings account?

No, we cannot give you a partial refund. We must close out your annuity savings account and pay out the entire balance.

12 Are there any circumstances under which my account would not earn interest or I would not be entitled to receive all of the accumulated interest?

Yes. The amount of interest you are entitled to is based on several factors, provided you are not subject to any forfeiture provisions due to criminal conviction. If you became a member:

- ▶ before January 1, 1984, you will receive 100% of your interest.
- ▶ on or after January 1, 1984 and you
 - ▶ resign and have
 - ▷ less than five years of creditable service, you will receive no interest on your accumulated total deductions.
 - ▷ five, but less than 10 years of creditable service, you will receive 50% of your accrued interest.
 - ▷ 10 or more years of creditable service, you will receive 100% of your accrued interest.
 - ▶ are involuntarily terminated, you will receive 100% of your interest.

In addition to the above situations, if you apply for a refund more than two years after the date of your resignation or termination, you are eligible to receive the interest accumulated only for the two years immediately following that date. This applies regardless of the amount of creditable service you have or when you became a member of the MTRS.

13 Is my refund taxable by the Commonwealth of Massachusetts? By the federal government?

As described in Question 5, your refund includes taxable and nontaxable amounts. At this time, these amounts are subject to tax as follows:

Description	Currently subject to tax by	
	Massachusetts	Federal Govt.
Contributions made before January 1988 (also known as <i>after-tax contributions</i>)	No	No
Contributions made after January 1988 (also known as <i>pre-tax contributions</i>)	No	Yes
Interest (all interest is pre-tax)	No	Yes

For your reference, the pre-tax and after-tax amounts will be identified on the Form 1099-R that you will receive in January after the calendar year in which you receive your payment; this information will also be provided to the IRS. Again, we will give you more specific information if and when you should request a refund.

14 How do I know how much the taxable and nontaxable portions are?

These amounts are broken out in the statement of your annuity savings account that we send to you each year. Additionally, when you apply to withdraw your funds, we will give you these figures.

15 Are there any tax penalties for early withdrawal of my funds?

In many cases if you are younger than 59-1/2 years of age, your refund is subject to a 10% income tax penalty. We do not withhold this tax penalty from your refund. For more information about this penalty, contact your local IRS office or a qualified tax advisor (and see page 21).

The MTRB cannot advise you regarding tax issues. For information on these issues, contact your local IRS office or a qualified tax advisor.

As a reminder, if the taxable portion of your balance is less than \$200, it is not subject to federal tax withholding and the MTRS will pay out the entire taxable portion.

16 Is there any way to avoid the 10% penalty and 20% federal withholding tax?

Yes. You may avoid the 10% penalty (see Question 15) and 20% federal withholding tax either by:

- ▶ having the MTRB transfer the **entire** taxable portion of your refund into an eligible retirement plan or
- ▶ on your own and within 60 days after we have paid you your refund, rolling over the **entire** taxable portion of the refund into an IRA or qualified plan. (As a reminder, by law, we must withhold 20% of the taxable portion. If you take a full refund from us and then decide to roll over the taxable portion, you will need to use *your own funds* to make up the 20% that we withheld. Later, when you file your annual federal income taxes, you may be entitled to a refund from the IRS of the 20% amount that we withheld; you need to address this with the IRS at that time.)

17 Does taking a refund now affect my contribution rate or record of creditable service if I later become a member of a Massachusetts contributory retirement system?

Yes. If you return to public service after receiving a refund, you will be considered a new employee and will be subject to the contribution rate that is in effect at the time of your re-employment. If you return to work as a teacher, you also will be enrolled automatically in Retirement*Plus*. You will not be entitled to the creditable service you previously accumulated unless you choose to repay your refund, plus interest, according to the rules established by the retirement board of the contributory retirement system of which you become a member. Repayment of your prior refund will not allow you to return to your original contribution rate.

18 Based on the requirements described in Question 8, I have determined that I am eligible to withdraw my money from my annuity savings account. However, I do not want to withdraw my money at this time. Can I just leave the funds in my account with the MTRS?

Yes, you may leave the money in your MTRS annuity savings account. The MTRB will keep your funds on account and continue to send you annual statements which show your balance and any activity, such as addition of interest. **Although your state-**

ment will reflect additional interest each year, you will be eligible to receive interest on your account for only two years following the date of your resignation or termination if you apply for a refund at a later date. If, however, you do not take a refund but later return to a position which requires membership in a Massachusetts contributory retirement system, all interest reported on your statements will be credited. Taxes are not assessed on this money until your annuity savings account funds are paid to you in a refund or retirement allowance, or paid to someone else as a result of your death.

19 How do I apply for a refund?

The refund process is very easy and, if we receive all necessary information in a timely manner, takes approximately 60 days from the date that we receive your completed application. These are the steps you—and we—need to take:

- ▶ **Step 1: Request a refund application from our Boston office.**
We will send you this booklet and two one-page forms—a *Refund Application* and a *Rollover Instruction Form*.
- ▶ **Step 2: Forward the *Refund Application* to a representative in the payroll department of the school district where you were last employed.**
That person has to complete the front of the form with information regarding your employment history and payroll deductions, and then return the form to you.
- ▶ **Step 3: After your payroll representative returns your completed form to you, you need to complete the back, telling us how you wish to receive your payment.**

As described in Question 9, you will direct us to take one of two actions:

- ▷ Refund the entire balance directly to you, less the amount that we must withhold for federal taxes (20% of the taxable portion in your account). You may then do whatever you want with the money, including, on your own and within 60 days, rolling it over to an eligible retirement plan.
- ▷ Refund a portion directly to you, and/or roll over all or part of your payment to one or more eligible retirement plans. (As a reminder, if any part of the taxable portion is paid directly to you, we must withhold 20% for federal taxes.) If you elect to receive

Please note: You must submit your Refund Application **after** the date of your separation from service. We cannot accept your Application prior to your last day of service.

About the member's annuity savings account
▶ Questions 1–6

For information on Retirement*Plus*, visit our web site at mass.gov/mtrb.

See Question 12 for more information on interest restrictions.

See Appendix B for information on when you are eligible to receive a retirement allowance.

a portion directly, or to roll over funds to more than one eligible retirement plan, you must complete our *Rollover Instruction Form* and also have your financial institution provide your account information.

- **Step 4: Return your completed *Refund Application* and, if applicable, your *Rollover Instruction Form* to our Boston office.**

We advise you to keep a copy of these documents for your reference.

- **Step 5: Approximately 60 days after we receive your completed forms, we make your payment according to your instructions (send a check directly to you and/or process your rollover).**

After we have processed your refund, your annuity savings account will be closed and you will no longer receive annual statements from us.

20 I am receiving a refund of my RetirementPlus contributions because I have not accrued at least 30 years of creditable service at retirement. What do I need to know?

If you elected into RetirementPlus and, at the time of your retirement, you have not accrued at least 30 years of creditable service, you will receive a refund of any accelerated contributions you made toward RetirementPlus, as well as your regular RetirementPlus contributions (the difference between what you actually contributed at the 11% rate and what you would have contributed at your old, pre-RetirementPlus rate).

You do not need to apply to receive this refund; the MTRS will automatically generate the refund during your retirement application process and contact you to ask how you would like to receive your refund (see Question 9). This type of refund is generally governed by the same rules—in particular, the rollover rules—discussed in this booklet.

For the Nonmember Beneficiary or Alternate Payee

21 I am the surviving spouse of an active member who designated me as his or her lump-sum beneficiary. What does this mean as far as my options for receiving a lump-sum payment?

If you are the surviving spouse of an active member who designated you as his or her lump-sum beneficiary, you may have the option of choosing to receive your survivor benefit in the form of a lump-sum payment *or* a monthly member-survivor benefit. Please refer to our booklet *As a Survivor of an Active Member* for more information on your benefit options.

If you decide to receive the lump-sum benefit—a one-time payment of the balance in the member's annuity savings account—then you have the same choices as the employee discussed in Question 9.

22 I am the surviving spouse of a retired member who retired under Option B. What does this mean as far as my options for receiving a lump-sum payment?

If you are the surviving spouse of a retired member who retired under Option B, you must receive your survivor benefit in the form of a lump-sum payment. Please refer to our booklet *Q&A: As the Survivor of a Retired Member* for more information on how we process survivor benefits.

As the surviving spouse, you may choose one of two ways to have us pay the money to you. See Question 9 for a description of these choices.

23 I am the surviving nonspousal beneficiary of a member who designated me as his or her lump-sum beneficiary and who died while he or she was either

- an active member of the MTRS or
- a retired member and who retired under Option B.

What does this mean as far as my options for receiving a lump-sum payment?

If you are a nonspousal, designated lump-sum beneficiary, you must receive your survivor benefit in the form of a lump-sum payment. Please refer to one of our booklets, *As a Survivor of an Active Member* or *As a Survivor of a Retired Member* for more information on how we process survivor benefits.

As a nonspousal beneficiary, you may only receive your lump-sum payment in one way: as a full payment of the balance, if any, remaining in the member's annuity savings account. This payment is *not* subject to the mandatory 20% withholding tax.

Please note that your payment is **not** an eligible rollover distribution and, so, the MTRB cannot roll it over into an eligible retirement plan, nor may you roll over the payment yourself.

24 I am an alternate payee. What does this mean as far as my options for receiving a lump-sum payment?

You are an alternate payee if your interest in the member's annuity savings account results from a Domestic Relations Order, which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a spouse or former spouse and an alternate payee, you have the same options for receiving a lump-sum payment as the member. You may choose one of two ways to have us pay the money to you. Your choices are described in Question 9 as Choice 1 and Choice 2. If you are an alternate payee but not a spouse or former spouse, you may only have the lump sum payment paid directly to you. The payment may not be rolled over, and it will not be subject to mandatory 20% withholding.

25 I am the surviving spouse, an alternate payee or other nonspousal beneficiary. Is my lump-sum payment subject to any "early withdrawal penalty" based on my age?

No. Only a member who withdraws his or her funds may be subject to a 10% early withdrawal penalty if he or she is younger than age 59½. As a nonmember who receives this money, you are not subject to this penalty.

26 I am the surviving spouse, an alternate payee or other nonspousal beneficiary. Is my lump-sum payment entitled to any special tax treatment?

Possibly. You may be eligible for the special tax treatment for lump-sum distributions. If you receive a payment because of the member's death, you may be able to treat the payment as a lump-sum distribution if the member met the appropriate age requirements regardless of whether he or she had five years of participation in the MTRS.

For additional information on special tax treatment for lump-sum distributions, contact the IRS.

For All Recipients of a Lump-Sum Payment

Special Tax Notice Regarding Plan Payments

This section is a notice of important information you will need to consider before you decide how to receive your benefits from the MTRS. We are required to provide all potential recipients of lump-sum payments with this notice, which was prepared by the IRS. *The notes in the margin, however, were prepared and added by the MTRB.*

Throughout this section, “Plan” refers to the Massachusetts Teachers’ Retirement System employer retirement plan, which is a 401(a) plan.

The information that follows gives you a brief summary of the federal—not state or local—tax rules that might apply to your payment. These rules are complex and contain many conditions and exceptions that are not included in this space. Accordingly, you might want to consult with a professional tax advisor before you receive your payment.

You may also find more specific information regarding the tax treatment of payments from qualified retirement plans in two IRS Publications: 575, *Pension and Annuity Income*, and 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS’s web site at www.irs.gov or by calling 1-800-TAX-FORM.

This section applies to—and is written for—members who withdraw their funds from their annuity savings account. Except as noted in **Surviving Spouses, Alternate Payees and Other Beneficiaries**, below, this information generally applies to all potential recipients of a lump-sum payment from the MTRS.

Introduction

This notice explains how you can continue to defer federal income tax on your retirement savings in the Massachusetts Teachers’ Retirement System (the “Plan”) and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Massachusetts Teachers’ Retirement System (your “Plan Administrator”) because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An “eligible employer plan” includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse’s consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, please contact the MTRB (see Appendix D).

If you are a nonspousal beneficiary, no portion of your payment is eligible for a rollover

► Question 23

Summary

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit (“DIRECT ROLLOVER”); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- ▶ Your payment will not be taxed in the current year and no income tax will be withheld.
- ▶ You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- ▶ The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- ▶ You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- ▶ The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you may have to pay an additional 10% tax.
- ▶ You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- ▶ If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

More Information

- 1) Payments that Can and Cannot be Rolled Over
- 2) Direct Rollover
- 3) Payments Paid to You
- 4) Surviving Spouses, Alternate Payees and Other Beneficiaries

1) Payments that Can and Cannot be Rolled Over

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

After-tax Contributions. If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

(a) Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

(b) Rollover into an Employer Plan. You can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or a section 403(a) annuity plan to another such plan using

a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can also roll over after-tax contributions from a section 403(b) tax-sheltered annuity to another section 403(b) tax-sheltered annuity using a direct rollover if the other tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

The following types of payments *cannot* be rolled over:

Payments Spread over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- ▶ your lifetime (or a period measured by your life expectancy), or
- ▶ your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- ▶ a period of 10 years or more.

Required Minimum Payments. Beginning when you reach age 70-1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

2) Direct Rollover

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part 1 above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

DIRECT ROLLOVER to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

DIRECT ROLLOVER to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

DIRECT ROLLOVER of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59-1/2 " and "Special Tax Treatment if You Were Born before January 1, 1936."

The information on "Payments spread over long periods" is included here because it is in the IRS notice. However, your lump-sum payment from the MTRS is not a "payment spread over long periods."

The information on "Direct rollover of a series of payments" is included here because it is in the IRS notice. However, your lump-sum payment from the MTRS is not paid in a series of payments.

3) Payment Paid to You

If your payment can be rolled over (see Part 1 above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding

Mandatory Withholding. If any portion of your payment can be rolled over under Part 1 above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see “Sixty-Day Rollover Option” below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part 1 above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part 1 above, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over under Part 1 above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the

taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over under Part 1 above is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

Additional 10% Tax If You Are under Age 59-1/2. If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to: (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55; (2) payments that are paid because you retire due to disability; (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary’s lives or life expectancies); (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k); (5) payments that are paid directly to the government to satisfy a federal tax levy; (6) payments that are paid to an alternate payee under a qualified domestic relations order; or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59-1/2, unless one of the exceptions applies.

If you are the nonspousal beneficiary, your payment is not an eligible rollover distribution. This means that you do not have the option of rolling over any amount of your payment. Your payment is also not subject to the 20% withholding tax requirements.

If you are a surviving spouse, an alternate payee or a nonspousal beneficiary, your payment is generally not subject to the 10% early withdrawal penalty regardless of your age.
► Question 25

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part 1 and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a “lump sum distribution,” it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59-1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59-1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using “10-year averaging” (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

4) Surviving Spouses, Alternate Payees and Other Beneficiaries

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in the Plan results from a “qualified domestic relations order,” which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part 1 above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, or an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part 3 above, even if you are younger than age 59-1/2.

If you are a surviving spouse, or an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in Part 3 above. If you receive a payment because of the employee’s death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

How to Obtain Additional Information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor *before* you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS’s Internet web site at www.irs.gov, or by calling 1-800-TAX-FORMS.

Appendix A

Overview of Lump-Sum Payment Issues

Eligibility and Payment Options

ELIGIBILITY		HOW YOU MAY RECEIVE YOUR REFUND		TAX ISSUES	
If I am...	...am I eligible to receive a lump-sum payment?	Lump-sum payment of entire balance* in annuity savings account directly to me	Lump-sum payment of part of the balance directly to me* and/or a rollover of all or part of the balance to an eligible retirement plan**	If any taxable portion is paid directly to me, is it subject to...	
			OR	...20% federal tax withholding?	...10% early withdrawal tax penalty?
An active member (See Question 7)	No.	N/A	N/A	N/A	N/A
An inactive member (See Question 8)	Yes. You may also be eligible to receive a retirement allowance instead of a lump-sum payment. See Appendix B.	Yes	Yes	Yes	Maybe
A surviving spouse who is a lump-sum beneficiary of an active member	Yes. You may also be eligible to receive a monthly survivor benefit instead of a lump-sum payment.	Yes	Yes	Yes	No
A surviving spouse who is a lump-sum beneficiary of a member who retired under Option B	Yes	Yes	Yes	Yes	No
A nonspousal survivor who is a lump-sum beneficiary or a nonspousal alternate payee	Yes	Yes	No	No	No
A spousal alternate payee (per court order)	Yes	Yes	Yes	Yes	No

* Less 20% of the taxable portion, if any, pursuant to federal tax withholding requirements.

** If you are eligible to roll over your refund, please see the next page for more information on the types of plans that qualify as eligible retirement plans.

Appendix A Continued

How You May Receive Your Payment

As shown in the chart on the previous page, you may be eligible to direct us to pay all or part of your refund directly to you, or as a result of the new tax law (the Economic Growth and Tax Relief Reconciliation Act of 2001, or EGTRRA), you may direct us to roll over your funds to one or a combination of several eligible retirement plans.

Your may direct us to pay or roll over all or part of your after-tax and/or pre-tax funds, as indicated, to...

	AFTER-tax funds	PRE-tax funds
<input type="checkbox"/> A traditional IRA This does NOT include a Roth IRA, SIMPLE IRA or education IRA.	Yes	Yes
<input type="checkbox"/> A 401(a) qualified plan (defined contribution)	Yes*	Yes
<input type="checkbox"/> A 401(a) qualified plan (defined benefit)	NO	Yes
<input type="checkbox"/> A 403(a) annuity	NO	Yes
<input type="checkbox"/> A 403(b) plan (also known as a tax sheltered annuity plan)	NO	Yes
<input type="checkbox"/> A 457(b) government plan , also known as a deferred compensation plan, that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or local governmental entity and which agrees to accept your rollover and separately account for amounts transferred into such plan from the MTRS.	NO	Yes
<input type="checkbox"/> You —subject to certain tax liabilities, restrictions and penalties as described in the <i>Special Tax Notice Regarding Plan Payments</i> on page 14.	Yes**	Yes

* A qualified defined contribution plan that will separately account for the taxable and nontaxable funds may accept after-tax funds in a direct rollover.

** If you have the after-tax portion of your payment paid directly to you—instead of rolled over by us to one of the eligible plans—and you then want to roll over that portion within 60 days of receiving the payment from us, you can roll over that amount to a traditional IRA only.

Appendix B Eligibility for a Retirement Allowance

You are eligible to receive a retirement allowance when you

- ▶ have 20 years of creditable service, regardless of your age, or
- ▶ are at least age 55 *and* you became a member of the MTRS on or after January 1, 1978 *and* you have at least 10 years of creditable service.

If, however, you do not meet either of these requirements and you were a member of the MTRS prior to January 1, 1978, different eligibility requirements may apply to you. Please contact the MTRB for additional information.

Retirement*Plus*

If you are participating in Retirement*Plus*—because you either elected to participate or you became a member of the MTRS on or after July 1, 2001—you are eligible to receive an enhanced benefit if you:

- ▶ have accrued 30 or more years of creditable service, at least 20 of which are teaching service with the MTRS or the State-Boston Retirement System; and,
- ▶ have contributed at the Retirement*Plus* rate of 11% for at least five years, or have made accelerated payments to meet this contribution requirement.

The Massachusetts Retirement Law (Massachusetts General Laws chapter 32) regulates your retirement allowance and allows you to choose one of three benefit options. These options differ with regard to the amount paid and whether any benefits will be paid to someone else after your death.

For more information on calculating your retirement allowance, please refer to the MTRB's web site, at mass.gov/mtrb.

Appendix C IRS Publications

For more information on tax issues regarding your lump-sum payment, contact your local IRS office or call 1-800-TAX-FORM and obtain these publications:

- ▶ Publication 575: *Pension and Annuity Income*
- ▶ Publication 590: *Individual Retirement Arrangements (IRAs)*
- ▶ Form 4972: *Tax on Lump-Sum Distributions From Qualified Retirement Plans*
- ▶ Form 5329: *Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts*

You may also refer to the IRS web site, at www.irs.gov.

Appendix D Contacting the MTRB

Your request for a lump-sum payment will be processed by a member of our Benefits Services Unit, which is located in our Boston office. If you have any questions about this process, please contact this unit:

MASSACHUSETTS TEACHERS' RETIREMENT BOARD BENEFITS SERVICES UNIT

69 Canal Street, 3rd Floor
Boston, MA 02114-2006

Phone (617) 727-3661

Fax (617) 727-6797

Online mass.gov/mtrb

Hours 8:45 a.m. – 5 p.m.,
Monday through Friday

Appendix E

About the MTRS

What is the Massachusetts Teachers' Retirement System?

The Massachusetts Teachers' Retirement System is a contributory retirement system governed by the Commonwealth's retirement law, Chapter 32 of the Massachusetts General Laws. The MTRS, which is the second largest of the Commonwealth's 106 contributory retirement systems, provides retirement, disability and survivor benefits to Massachusetts teachers, administrators and their families.

Who manages the Massachusetts Teachers' Retirement System?

The Massachusetts Teachers' Retirement Board administers the MTRS. The Board is composed of seven members chosen in accordance with the enabling statute of the MTRS:

- ▶ two members are elected by the active and retired members of the system,
- ▶ one member—who must be a retired teacher—is appointed by the Governor,
- ▶ one member who is chosen by the vote of the other six,
- ▶ the State Treasurer, or his or her designee,
- ▶ the State Auditor, or his or her designee,
- ▶ the Massachusetts Commissioner of Education, or his or her designee, who also serves as the Board's chairperson.

Excepting the chairperson, each member serves a four-year term. The length of the chairperson's term depends upon the term of office of the Commissioner of Education.

The Board, which meets at least once a month,

- ▶ votes on every disability retirement allowance,
- ▶ investigates all claims for accidental and ordinary disabilities,
- ▶ establishes the rules and regulations of the agency and
- ▶ oversees the dissemination of services and information to its membership of nearly 75,000 active educators and 34,000 retired members.

The Executive Director, together with a staff of over 60 professionals, implements the programs and policies of the Board.

What services does the Board provide for its members?

Since the creation of the MTRS in 1914, the Board has never strayed from its original mandate to provide a retirement system for teachers. Throughout its long history, it has adhered to its traditional role as bookkeeper—enrolling members, compiling members' annuity account statements, granting retirements and paying retirement allowances. Today, the Board still conscientiously serves its members with bookkeeping services, but it has expanded its offering of programs to better serve the public school teachers and administrators of Massachusetts and prepare them both financially and emotionally for their retirement years. For example, the Board now offers the following services and programs:

- ▶ **The Advisor** This is a newsletter published periodically by the Board and staff and distributed to all active members, retirees and colleagues of the agency. The Advisor reports on developments in public pension legislation, services and programs offered by the Board and other subjects which are of interest to both the active and retired membership.
- ▶ **Charting Your Course** This is a midcareer financial planning program developed by the MTRB. The program is tailored for educators who are 15 to 20 years away from retirement. It helps participants gain basic knowledge of the five key areas of financial planning and is designed to motivate participants to take control of their financial future immediately.
- ▶ **The Next Chapter** This is a comprehensive preretirement planning program developed by the MTRB. The program is designed for educators who are five to ten years away from retirement. It helps participants examine their attitudes, concerns and goals as they prepare for their retirement years.
- ▶ **Your MTRS Benefits Seminar** This is an informational retirement program for teachers who are considering retirement. The program, held at various locations across the Commonwealth, focuses on retirement formulas, the option selection process, health insurance and other post-retirement issues. In addition, our Client Services staff is available upon request to present special seminars tailored to your group in your city or town.

Please note that all of our publications are posted on our Web site, at: mass.gov/mtrb.

- **Retirement Counseling Services** One of our most important initiatives has been the creation of the Client Services Division. This Division is responsible for preparing our constituents for retirement and offers individual retirement counseling to all members across the Commonwealth. Our counselors are available to meet with members in our Boston and Western Regional offices; appointments are necessary, however, so members should be sure to call ahead to schedule some time with the counselor assigned to their school districts.
- **Publications** We have developed a set of reference materials that address the most common questions and issues raised by our members. We've prepared the following titles to date, and will gladly send you our publications upon request.

The Q&A Series: Our Q&A Series is a set of informational booklets like this one. Each is of moderate length and addresses a broad variety of questions and issues related to a particular topic. Other available titles are:

 - ▷ *As a Party to a Domestic Relations Order*
 - ▷ *Member's Guide to Disability Retirement*
 - ▷ *As the Survivor of an Active Member*
 - ▷ *As the Survivor of a Retired Member*
 - ▷ *Active Member Guide*
 - ▷ *Retired Member Guide*

MTRB Basics Brochures: Our Basics Brochures are brief, informational pamphlets that focus on fairly narrow issues. Each fits in a standard business size envelope and provides a short overview of the issue as well as the most commonly asked questions and their answers. Current titles include:

- ▷ *Taking a Refund of Your Annuity Savings Account*
- ▷ *Estimating Your Retirement Allowance*
- ▷ *Choosing a Financial Planner*
- ▷ *Applying for a Termination Allowance*
- ▷ *Working After Retirement*

Appendix F

Quick Reference Guide to Questions

For the MTRS Member

About Your Annuity Savings Account

- 1 What is my annuity savings account?
- 2 According to IRS categories, what type of plan is the Massachusetts Teachers' Retirement System plan?
- 3 How do I know how much money I have in my annuity savings account?
- 4 What is the difference between after-tax contributions and pre-tax contributions?
- 5 How do I know what amount is nontaxable and what is taxable?
- 6 Is the interest on my account considered a pre-tax or an after-tax amount?

Withdrawing Your Balance

- 7 I am an active member of the MTRS. Do I have any use of the funds in my annuity savings account?
- 8 I am an inactive member of the MTRS. Am I eligible to receive a refund of the money in my annuity savings account?
- 9 Based on the requirements described in Question 8, I have determined that I am eligible to withdraw my money from my annuity savings account. What are my options as far as withdrawing these funds?
- 10 Can I roll over my pre-tax amount to any retirement plan?
- 11 Can I withdraw only a portion of the total in my annuity savings account?
- 12 Are there any circumstances under which my account would not earn interest or I would not be entitled to receive all of the accumulated interest?
- 13 Is my refund taxable by the Commonwealth of Massachusetts? By the federal government?
- 14 How do I know how much the taxable and nontaxable portions are?
- 15 Are there any tax penalties for early withdrawal of my funds?
- 16 Is there any way to avoid the 10% penalty and 20% federal withholding tax?
- 17 Does taking a refund now affect my contribution rate or record of creditable service if I later become a member of a Massachusetts contributory retirement system?

- 18 Based on the requirements described in Question 8, I have determined that I am eligible to withdraw my money from my annuity savings account. However, I do not want to withdraw my money at this time. Can I just leave the funds in my account with the MTRS?
- 19 How do I apply for a refund?
- 20 I am receiving a refund of my Retirement*Plus* contributions because I have not accrued at least 30 years of creditable service at retirement. What do I need to know?

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For the Nonmember Beneficiary or Alternate Payee

- 21 I am the surviving spouse of an active member who designated me as his or her lump-sum beneficiary. What does this mean as far as my options for receiving a lump-sum payment?
- 22 I am the surviving spouse of a retired member who retired under Option B. What does this mean as far as my options for receiving a lump-sum payment?
- 23 I am the surviving nonspousal beneficiary of a member who designated me as his or her lump-sum beneficiary and who died while he or she was either
- ▶ an active member of the MTRS or
 - ▶ a retired member and who retired under Option B.
- What does this mean as far as my options for receiving a lump-sum payment?
- 24 I am an alternate payee. What does this mean as far as my options for receiving a lump-sum payment?
- 25 I am the surviving spouse, an alternate payee or other nonspousal beneficiary. Is my lump-sum payment subject to any “early withdrawal penalty” based on my age?
- 26 I am the surviving spouse, an alternate payee or other nonspousal beneficiary. Is my lump-sum payment entitled to any special tax treatment?

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For All Recipients of a Lump-Sum Payment: Special Tax Notice

- ▶ Introduction
- ▶ Summary
- ▶ More Information
 - 1 Payments that Can and Cannot be Rolled Over
 - 2 Direct Rollover
 - 3 Payment Paid to You
 - 4 Surviving Spouses, Alternate Payees and Other Beneficiaries
- ▶ How to Obtain Additional Information